

**Governor's Transportation Vision 21 Task Force**  
**Revenue Consultant Summary Report to Task Force**

**Hypothetical Revenue Packages**



**February 13, 2001**

## I. REVENUE NEEDS

### A. Revenue Background

- In constant 2000 dollars
- Debt service requirements have been taken into account
- Does not reflect potential impact of alternative fuel vehicle tax credits

Future Revenue Estimates (millions of constant 2000 dollars) after Debt Service Requirements Met					
Source	FY 2001-2005	FY 2006-2010	FY 2011-2015	FY 2016-2020	Total
Roadway	\$7,988.7	\$8,432.6	\$8,580.1	\$8,816.0	\$33,817.4
Transit	\$1,133.3	\$1,050.9	\$986.8	\$935.1	\$4,106.1
Aviation (1)	\$356.2	\$261.2	\$218.3	\$183.7	\$1,019.4
Total	\$9,478.2	\$9,744.7	\$9,785.2	\$9,934.8	\$38,942.9

(1) once Needs are finalized, local revenue for Phoenix Sky Harbor and Tucson International Airports will be added to this estimate since it is assumed that local revenues for these two airports will make up any funding shortfall between needs and what is received from federal and state sources

### B. Additional Revenue Needs Assumptions

- Assume \$25-30 billion shortfall equally distributed over 20-year period
- Need to compare revenues to needs by category before finalizing revenue plan

## II. TYPICAL REVENUE YIELDS

### A. Typical yields of revenue increases initiated in FY 2001

Typical Revenue Yields (millions of constant 2000 dollars)			
Source	Amount	Average Annual	20-Years
Gas Tax Increase	1-cent	\$21.8	\$436.3
	5-cent	\$109.1	\$2,181.3
Use Fuel Tax Increase	1-cent	\$6.0	\$120.5
	5-cent	\$30.1	\$602.4
Sales Tax Surcharge	0.25%	\$238.0	\$4,760.0
	0.50%	\$476.0	\$9,520.0
	0.75%	\$714.0	\$14,279.9
	1.00%	\$952.0	\$19,039.9
Development Fees	\$1,000/new res.	\$87.2	\$1,743.2
Miscellaneous (parking fees)	to be determined	\$5.0-\$10.0	min. \$100.0

## III. HYPOTHETICAL REVENUE PACKAGES

- A. Packages are illustrative of how additional revenue can be generated
- B. Components are fuel tax increases implemented over time, a statewide sales tax surcharge for transportation, a statewide development fee and the potential for a package of smaller fee/tax changes such as a parking tax in major metropolitan areas (MAG and PAG)

Options for Generating Approximately \$25-\$30 Billion in Additional Revenue (in 2000 constant dollars)				
Option	Use	Source	Amount	20-year Yield (millions)
1	Restricted	Gas Tax Increase	\$0.10 in FY 2001	\$4,362.5
			\$0.05 in FY 2006	\$1,620.0
			\$0.05 in FY 2011	\$1,060.6
			Subtotal	\$7,043.2
		Use Fuel Tax Increase	\$0.10 in FY 2001	\$1,204.8
			\$0.05 in FY 2006	\$529.1
			\$0.05 in FY 2011	\$294.6
			Subtotal	\$2,028.4
		Subtotal Restricted to Roadway Use		
	Unrestricted	Sales Tax Increase	3/4-cent in FY 2001	\$14,279.9
		Development Fees	equivalent of \$1,000/unit in FY 2001	\$1,743.2
		Subtotal Unrestricted Use		\$16,023.1
Total			\$25,094.7	
2	Restricted	Gas Tax Increase	\$0.07 in FY 2001	\$3,053.8
			\$0.05 in FY 2006	\$1,620.0
			\$0.05 in FY 2011	\$1,060.6
			Subtotal	\$5,734.4
		Use Fuel Tax Increase	\$0.07 in FY 2001	\$843.3
			\$0.05 in FY 2006	\$529.1
			\$0.05 in FY 2011	\$294.6
			Subtotal	\$1,667.0
		Subtotal Restricted to Roadway Use		
	Unrestricted	Sales Tax Increase	1-cent in FY 2001	\$19,039.9
		Development Fees	equivalent of \$1,000/unit in FY 2001	\$1,743.2
		Miscellaneous Fees	parking fees	\$100.0
Subtotal Unrestricted Use		\$20,883.1		
Total			\$28,284.4	
3	Restricted	Gas Tax Increase	\$0.10 in FY 2001	\$4,362.5
			\$0.07 in FY 2006	\$2,268.0
			\$0.05 in FY 2011	\$1,060.6
			Subtotal	\$7,691.2
		Use Fuel Tax Increase	\$0.10 in FY 2001	\$1,204.8
			\$0.07 in FY 2006	\$629.0
			\$0.05 in FY 2011	\$294.6
			Subtotal	\$2,128.4
		Subtotal Restricted to Roadway Use		
	Unrestricted	Sales Tax Increase	1-cent in FY 2001	\$19,039.9
		Development Fees	equivalent of \$1,000/unit in FY 2001	\$1,743.2
		Miscellaneous Fees	parking fees	\$100.0
Subtotal Unrestricted Use		\$20,883.1		
Total			\$30,702.6	

- C. Fuel tax revenues must be used for roadway projects (therefore, restricted). Revenue from other sources listed above can be used for projects for any mode, including roadway projects.

#### IV. IMPACTS

##### A. Definition of Typical Household

- \$40,000 household income
- 25%, or %10,000, spent on taxable items
- 2 cars per household

Major Impacts of Revenue Package Options for Single Year on Typical Household				
Option	Action	Gas Tax	Sales Tax	Total
1	\$0.10 increase	\$130		\$130
	0.75% increase		\$75	\$75
	Total			\$205
2	\$0.07	\$91		\$91
	1.0% increase		\$100	\$100
	Total			\$191
3	\$0.10 increase	\$130		\$130
	1.0% increase		\$100	\$100
	Total			\$230
Note 1: Impacts are for Typical Household with \$40,000 average income, \$10,000 spent on taxable items and two cars.				
Note 2: Development fee impacts would be only for new residential units, so not in total				
Note 3: Impact assessment is for information purposes and assumes all increases occur in FY 2001 and impacts are for single year - FY 2001				

##### B. Fuel Tax Rates

- An initial \$0.10 increase on both gas and use fuel will bring the per gallon taxes to \$0.28 and \$0.36, respectively
- As of June 2000, the nationwide average for state/local fuel taxes was \$0.222 for gas and \$0.219 for diesel. The highest rates were \$0.33 for gas and \$.308 for diesel.